

THE ROCKY MOUNTAIN ECONOMY: UPDATE  
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The economy of the Rocky Mountain region continued to improve in July 2006. Nonfarm employment for increased by 139,900 jobs, or 2.9 percent, compared with July 2005. All states posted solid gains. Utah and Colorado together gained 107,700 jobs, or 77 percent of the increase for the region. Growth rates of 4.7 percent for Utah and 2.1 percent for Colorado were supported by large increases in the construction and professional and business services sectors. The growth rate in Utah ranked among the top five of all states in the nation. Employment growth of 3.6 percent in Wyoming and 3.4 percent in Montana was bolstered by high demand for the each state's energy resources. North Dakota, and South Dakota each posted job-growth rates near 2 percent. Labor markets continued to tighten throughout the Rocky Mountain region, and unemployment rates were down in all states from one ago. South Dakota, Utah and Wyoming showed the most improvement. The 3.0-percent unemployment rate for Wyoming was the lowest in the region, while Colorado had the highest rate, at 4.7 percent. Montana and North Dakota recorded unemployment rates of 3.8 and 3.4 percent, respectively.

The nation's economy generated a somewhat disappointing number of new jobs in July. The addition of 121,000 jobs to the payrolls was 22 percent lower than forecasted. Most of the drag came from manufacturing, which shed 15,000 jobs, particularly in autos and computers. Job gains were nearly all in the services sector, especially in professional and business services, and leisure and hospitality. The national unemployment rate jumped to 4.8 percent from the June rate of 4.6 percent but down from 5.0 percent in July 2005. Weakness in residential construction in the second quarter 2006 pulled down growth in Gross Domestic Product (GDP). GDP grew at a 2.9 percent annual pace or marginally below what analysts were expecting. Annualized housing starts in July were at a seasonally adjusted annual rate of 1,747,000, a decline of 6.5 percent from June and 20.8 percent below July 2005. The incredible housing construction boom of the last 5 years could not go on forever in the face of escalating new home inventories in many areas of the country. Some economists expect a soft-landing scenario for the housing market if long-term interest rates don't rise significantly and the economy stays strong. Similarly, building permit activity in the region declined in July but not to the degree of the national slowdown. The region as a whole posted a decrease of 9.3 percent, the 4.6 percent gain in Montana was more than offset by losses in Colorado, North and South Dakota, Utah and Wyoming.

During the second quarter of 2006, rental markets continued to improve throughout the Rocky Mountain region. The Salt Lake City area's second quarter 2006 apartment vacancy rate of 5.6 percent was down from the 6.5 percent recorded a year ago. The rental market in Denver has also dramatically improved but large rent increases remain evasive. Troop deployments at Fort Carson Army Base have contributed to lingering soft rental market conditions in the Colorado Springs area. In Denver, home sales during the first 7 months of 2006 decreased by 3.5 percent from a year ago. However, buoyed by relatively stable sales for homes priced over \$350,000, the overall average price increased by 4.8 percent. The inventory of existing homes for sale in Denver increased by a worrisome 26.8 percent in July from July 2005. Existing home sales for the nation dropped 11.2 percent, while average price increased by 4.7 percent from a year ago.

The overall U.S. Consumer Price Index (CPI), excluding food and energy, through July was up 3.9 percent from a year ago. Producer prices, in contrast, surprised the market by falling by 0.3 percent in July and for the first 7 months of 2006 are up a modest 1.3 percent from a year ago. Mortgage interest rates inched up in July 2006 from June but up by 106 basis points from July 2005. Standard and Poor's expects a 25 basis point increase from the Fed in their September meeting, but holding at 5.5 percent for the rest of 2006. Inflation for now is still above the Fed's comfort level.